



EMALAHLENI MUNICIPALITY

FINAL

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2012/2013 TO 2014/2015

ANNUAL BUDGET OF
EMALAHLENI
MUNICIPALITY

2012/13 TO 2014/15
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

BPC	Budget Planning Committee	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
MM	Municipal Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GDP	Gross domestic product	PBO	Public Benefit Organisations
GDS	Gauteng Growth and Development Strategy	PHC	Provincial Health Care
GFS	Government Financial Statistics	PMS	Performance Management System
GRAP	General Recognised Accounting Practice	PPE	Property Plant and Equipment
HR	Human Resources	PPP	Public Private Partnership
IDP	Integrated Development Strategy	PTIS	Public Transport Infrastructure System
IT	Information Technology	RG	Restructuring Grant
kℓ	kilolitre	RSC	Regional Services Council
km	kilometre	SALGA	South African Local Government Association
KPA	Key Performance Area	SDBIP	Service Delivery Budget Implementation Plan
KPI	Key Performance Indicator	SMME	Small Micro and Medium Enterprises
kWh	kilowatt		
ℓ	litre		
LED	Local Economic Development		
MEC	Member of the Executive Committee		

Part 1 – Annual Budget

1.1 Mayor's Report

The Speaker, Municipal Manager, Councillors, Officials and members of the community:

It is my pleasure to be able to submit to you the integrated development plan for the next five years(2012-2017) as well as the MediumTerm Revenue and Expenditure framework (MTREF) for 2013 -15 through for the Emalahleni municipal council.

The economic environment in which we as Emalahleni Municipality function is not easy considering our high rate of unemployment and poor revenue base made worse, over the past few years, by the downturn in the economy caused by the world economic recession resulting in such negative economic contributors as sky rocketing fuel and food prices.

In the light of these factors over which we have little or no control we are faced as a municipality with a daunting task and the challenge of

- A huge backlogs in service delivery,
- The socio-economic problems of high unemployment and poverty levels.

And the realisation that solutions to these challenges can potentially be in conflict with or complement each other.

Today I am able to report to you on the progress made in implementing financial controls, processes and procedures resulting in the drafting of a credible IDP and a credible budget linked and driven by our IDP and the national objectives of:

- Service delivery
- Financial viability and management
- Local economic development
- Municipal institutional development and transformation.
- Good governance and public participation

We as the newly elected Council committed ourselves to lead by example in ensuring strict financial oversight and compliance with the guidelines of National Treasury as set out in circular 51- 59 of the MFMA.

In order to achieve this we as the Council and Executive Committee committed ourselves to providing leadership based on a culture of honesty, ethical business practices and good governance by exercising our oversight responsibility regarding financial and performance reporting as well as adherence to compliance and implementation of internal controls.

As council we must accept that we are ultimately responsible and I ask that you listen carefully to what **Alvin Toffler stated:**

“Human beings were held accountable long before there were corporate bureaucracies. If the knight didn't deliver, the king cut off his head.”

We as Council cannot allow our heads to be cut off and have taken decisive action to address the financial management of the institution.

We identified the need to support the Accounting Officer and address the management of the financial affairs of the municipality as a matter of urgency.

To this end a finance resource person was appointed as a consultant and the Chief Accountant was appointed from December 2011. The resignation of the CFO together with the work done by the new appointments highlighted and confirmed the concerns raised by the Accounting Officer. We have appointed a Chief Financial Officer who took up his post on 01 May 2012. In doing so we have ensured that internal controls have been established to address deficiencies in the system.

Arising from and based on our stated goal we have focused on the financial management and have overseen the implementation of proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting based on daily and monthly controls thus ensuring accurate and reliable information being available to the council so as to achieve our service delivery targets. We as a Council have ensured that we have provided management with the support required to ensure prudent and proper financial management of the institution.

In the budget 2011/2012 we projected a <deficit> of two million three hundred and ninety rand (R 2 390 000.00) which was to be covered by an accrued surplus. The process followed and implementation of the budget 2011/2012 have been found to be flawed and the accrued surplus non-existent which resulted in the council having to table a major adjustment budget following intensive interrogation, assessment and realignment of the budget. This was a critical step to ensure that the new budget process would be based on a credible foundation.

It is in these circumstances that I am proud to be able to present the budget to the council.

This budget will be a consolidating budget for 2012/2013 with which we lay the foundation stone from which we will consolidate our financial control and move forward in the outer years confidently building on a realistic, sound, secure and credible financial base.

The IDP forms the foundation stone and the budget is the tool to allocate the financial resources to ensure service delivery to the community we serve.

For it was Mahatma Gandhi who said and I quote:

“the best way to find yourself is to lose yourself in the service of others.”

Guided by the example of our beloved Madiba - president Nelson Rolihlahla Mandela, we have focused our work towards achieving the most critical reason for the struggle – to ensure a better future and quality of life for all.

As we consolidate our financial basis in the tabled IDP& budget we do so with the focus on enhancing and growing our revenue base balanced with strict controls over our expenditure to ensure that we are able to achieve the ideals found in the words of Mandela and Gandhi.

Allow me now to highlight areas of focus within our departments

Strategic management

Our public participation and community involvement is an area in which we pride ourselves on our achievements.

In the new financial year our focus will be on building on our achievements in this area and building on the co- operation between the office of the Mayor and the office of the Speaker through the Strategic Manager to ensure we are a leader in the field of public and community participation.

The strategic plan that we have developed aligns to the IDP and budget and we will in the year ahead ensure the strategic plan is the basis on which we implement all projects.

Corporate services

Our organogram has been developed to ensure that it is consistent with the needs of the organisation.

The effectiveness of the governance systems is being assessed and staff within the institution must work in an integrated and focussed manner driven by the IDP.

We have allocated the sum of R1, 230 million toward capital projects

We are striving that Emalahleni Municipality becomes an employer of choice that capacitates both the councillors and staff

Community services

The areas I wish to highlight within the community services department relate to revenue enhancement and solid waste sites.

The development and establishment of a traffic section within Emalahleni municipality has been identified as a source of revenue enhancement coupled to ensuring the safety of our community and to this end we will be starting the process to establish such a department in the new financial year.

The solid waste site and its completion remain a priority and we will continue in the new financial year to access and allocate funds to this critical area within community services.

We have allocated R8 550 million to capital projects

IPED

The 5 year IDP which has been developed and is tabled for adoption today is a reflection of community, sectoral and stakeholder input and involvement and will be our guide over the remainder of our term of office.

Local economic development is a crosscutting function which requires the involvement of all within the institution.

Our led focus will be further enhanced by the inclusion of Emalahleni Municipality into the small town revitalisation project with the sole aim of revitalising and stimulating economic growth within our towns.

The Elithini Coal Mine development will have a positive economic effect on our economy with a hoped for impact on our level of unemployment and a major contribution toward our revenue base.

We have within the spatial development framework of our IDP focussed on potential areas of growth and despite our limited resources have accessed resources to develop these potential areas of economic growth through led projects.

We plan to utilise our interactions with business forums to assist them to bring together established and emerging businesses to share experience and ideas.

Infrastructure

The focus of MIG funding will be to ensure that projects are identified within IPED, community and infrastructure to ensure the maximum impact on our community.

The emphasis will be on finalising our road projects and continuing on the electrification of our villages.

An area we will focus on in the new year will be to address the office space of the institution.

We have allocated R14 170 million toward infrastructure, economic and environmental services

Finance

The process is ongoing to ensure credible data forms the basis of our financial reporting and to this end we will ensure that the SEBATA system is implemented and used as a management tool.

As a municipality we are grant dependant and to this end it is necessary to develop a plan for revenue enhancement to reduce our dependence and improve our financial viability.

In the new financial year we will look to ward councillors and committees in assisting us with our debt management and will further table to council strategies and plans to improve our current collection and payment rate of 15%.

Budget figures

The budget we table today projects the following:

Increases

The tariff increases on services will be an average of 5.4%

The electricity increase of 11.03% is currently pending NERSA's approval.

The increase will be tabled to council by 30 June 2012

By-laws and policies

Council has by- laws and policies in place which will be subjected to a review process in June 2012 for tabling to council by 30 June 2012

Income and expenditure

Operating budget

Total revenue:	R120 508 million
Total expenditure:	R120 504 million
Projected surplus:	R4 thousand

The implication of this is to alert us to the need for strict budget implementation and control during the financial year.

Capital budget:

Grant funding:	R 22 145 million
Own funds:	R1 805 million
Total capital expenditure:	R 23 950 million

I hereby table the medium term revenue and expenditure framework for 2013 through 2015 for adoption by the Emalahleni Council.

Regards.



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Cllr N. Nyukwana

MAYOR

1.2 Council Resolutions

It is recommended that the Council approves and adopts the following resolutions for the annual budget:

The Council of Emalahleni Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- 1.1. The annual budget of the municipality for the financial year 2012/13 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables attached in the budget documentation:
 - 1.2.1. Budgeted Financial Position;
 - 1.2.2. Budgeted Cash Flows;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 1.2.4. Asset management; and
 - 1.2.5. Basic service delivery measurement.
2. The Council of Emalahleni Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts the following tariffs as attached in the budget documentation, with effect from 1 July 2012:
 - 2.1. the tariffs for property rates which are increasing on average by 5.4 % (percent);
 - 2.2. the tariffs for electricity which on average are increasing by 11,03 percent;
 - 2.3. the tariffs for the supply of water on behalf of Chris Hani District Municipality by 6 %;
 - 2.4. the tariffs for sanitation services on behalf of Chris Hani District Municipality by 6%; and
 - 2.5. the tariffs for solid waste services which are increasing on average by 5.4 % (percent).
3. The Council of Emalahleni Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2012 the tariffs for other services, which are increasing on average by 5.4 percent, as set out in the attached budget documentation as **Annexure 1 (TARIFF LIST)**.
4. To give proper effect to the municipality's annual budget, the Council of Emalahleni Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. The Municipal Budget and Reporting Regulations, as well as various circulars issued by National Treasury, provides the guidance for budget preparation by local government.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. In addition, the municipality during January 2012 proactively embarked on a strategic long-term financial sustainability exercise in order to ensure that this budget, as well as future budgets, are compiled to ensure that services to the community remains at high levels without overburdening the consumers of municipal services with excessive tariffs.

The main items identified by the strategic planning exercise can be summarised as follows:

- Improved service delivery;
- Underdeveloped areas;
- Impoverished communities;
- Co-operative governance;
- Unfunded mandates, core functions service delivery agents;
- Land availability for e.g. economic development;
- Land availability for establishing tip-sites;
- Alternative service delivery options;
- Obtaining a "clean audit" inclusive of performance management;
- Delegation- and procedure manuals;
- Risk management;
- Improved planning and beyond 5 years;
- High crime rate;
- Service delivery backlogs;
- Improved maintenance programs;
- Local economic development facilitation;
- Adequacy of municipal reserves and financial sustainability;
- Curtail electricity losses;
- Tourism initiatives; and
- Improved public participation.

For each of these risk areas the municipality is compiling business plans in order to prioritise expenditure according to the risk ratings. These business plans will all be implemented over the MTREF period according to available funding, however, in the 2012/2013 financial year limited provision was made for the implementation of the business plans.

The Municipality has also embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government. The municipality, however, acknowledges that there can never be too much information and involvement in its interaction with the public at large, and for that reason it is still identified as a major risk area.

National Treasury's MFMA Circulars No. 58 and 59 as well as the Strategic Workshops and IDP consultation processes, were mainly used to guide the compilation of the 2012/13 MTREF. Some of the key challenges faced by the municipality when compiling the budget were:

- The ongoing difficulties in the national and local economy;
- Aging roads and electricity infrastructure;
- The need to prioritise projects and expenditure within the existing resource envelope;
- The increased cost of electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Similarly the effect of the water tariffs, as determined by the Chris Hani District Municipality, on consumers. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects and the resultant operational costs associated with new infrastructure projects; and

The municipality is in a healthy financial position, however, it needs to at least stabilise and further strive to continuously better its financial position, coupled with acceptable levels of service delivery at affordable tariffs. The retention of sufficient cash-backed reserves is critical for the long-term sustainability of the municipality. The municipality is striving to establishing a Capital Replacing Reserve to fund future capital projects to help mitigate the over dependence on grants for funding capital projects.

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The 2011/12 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2012/13 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- The budget must be spent in full, and all grants should be utilised in full.;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

EC136 Emalahleni Budget Summary				
Description		2012/13 Medium Term Revenue &		
R thousands	Adjusted Budget	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Total Revenue (excluding capital transfers and contributions)	119 860	120 508	126 030	140 263
Total Expenditure	111 911	120 504	122 602	134 340
Surplus/(Deficit)	7 949	4	3 428	5 923
Capital expenditure & funds sources				
Capital expenditure	1 521	23 950	24 836	26 057
Transfers recognised - capital	–	22 145	23 361	24 712
Public contributions & donations	–	–	–	–
Borrowing	–	–	–	–
Internally generated funds	1 521	1 805	1 475	1 345
Total sources of capital funds	1 521	23 950	24 836	26 057

Total operating revenue has increased by 11.2 per cent for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue will increase by 4.5 and 11.2 per cent respectively. The main reason for the increase in revenue is a increase in operational grants.

Total operating expenditure for the 2012/13 financial year has been appropriated at R120 504 million and translates into a budgeted surplus of R4000 before capital transfers. When compared to the 2011/12 Adjustments Budget, operational expenditure has increased by 11.3 per cent in the 2012/13 budget and increases by 1.7 and 9.5 per cent for each of the respective outer years of the MTREF. The operating surplus, before capital grant transfers, for the two outer years increases to R3.4 million for the 2013/2014 financial year and then increases to R5. 923 million. The main reason for the increase in expenditure is the increase in bulk electricity price and employee cost.

The capital budget of R23 950 million for 2012/13 is will show a huge percentage increase when compared to the 2011/12 Adjustment Budget. The latter has to do how the municipality has implemented its capital programmes and specifically its MIG allocation in the pass. The capital programme further increase to R24 836 million in the 2013/14 financial year and then further in 2014/15 to R26 057 million.

As indicated above no borrowing for capital projects is planned. The municipality is still well within the limits of its borrowing capacity but will raise very limited loans in the near future in order to curtail possible rising debt servicing costs.

1.4 Operating Revenue Framework

For Emalahleni Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality will also have to seek for funding to develop a revenue enhancement strategy. The latter will assist the municipality to identify areas to improve their revenue collection. In the absence of a revenue enhancement strategy, the following information were used to help the municipality's revenue management:

- National Treasury's guidelines and macroeconomic policy;
- Limited growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure an improved percentage increase in annual collection rate for property rates and other key service charges. This percentage is low compared to past history, but is being calculated conservatively due to the signs of financial stress currently being experienced;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The inflation forecasts for the MTREF period is on average 5,5% per annum. The municipality's aim is to not exceed inflation in its annual tariff adjustments but external factors such as the Eskom increases and which are beyond the control of the municipality hampers this goal.

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue &		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Financial Performance										
Property rates	1 961	3 065	1 772	5 096	2 473	2 473	2 473	2 680	2 860	3 060
Service charges	5 038	5 686	6 899	13 024	15 150	15 150	15 150	11 653	11 527	12 583
Investment revenue	3 910	2 387	1 830	2 592	1 265	1 265	1 265	14	14	15
Transfers recognised - operational	41 159	46 465	87 337	65 429	69 814	69 814	69 814	75 541	87 875	98 757
Other own revenue	2 251	6 570	3 544	28 870	19 655	19 655	19 655	30 622	23 754	25 847
Total Revenue (excluding capital transfers and contributions)	54 319	64 174	101 382	115 010	108 357	108 357	108 357	120 508	126 030	140 263

The percentage revenue from own sources increases during the budget year. In the two outer years of the MTREF the increases in revenue is fairly consistent, except electricity which is projected to increase by much higher percentages due to the increases allowed by NERSA. The growth in revenue contributions are indicated below (Excluding Capital Transfers). In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and

contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Percentage growth in revenue by source									
Description	2010/11			2012/13 Medium Term Revenue & Expenditure Framework					
R thousand	Audited Outcome	Adjusted Budget	% Increase	Budget Year 2012/13	% Increase	Budget Year +1 2013/14	% Increase	Budget Year +2 2014/15	% Increase
Revenue By Source									
Property rates	1 772	2 473	39.53	2 680	8.38	2 860	6.72	3 060	7.00
Property rates - penalties & collection charges	–	–	0.00	–	0.00	–	0.00	–	0.00
Service charges - electricity revenue	4 982	5 076	1.88	5 634	10.99	6 559	16.43	7 268	10.80
Service charges - water revenue	(7)	3 679	-49 648.83	2 818	-23.39	1 563	-44.55	1 672	7.00
Service charges - sanitation revenue	(440)	3 730	-947.58	431	-88.44	459	6.38	491	7.00
Service charges - refuse revenue	2 364	2 690	13.77	2 764	2.77	2 941	6.38	3 147	7.00
Service charges - other	–	5	100.00	5	4.42	6	6.38	6	7.00
Rental of facilities and equipment	656	803	22.35	856	6.59	905	5.76	968	7.00
Interest earned - external investments	1 830	1 265	-30.88	14	-98.93	14	5.50	15	7.00
Interest earned - outstanding debtors	2 284	3 979	74.23	2 495	-37.30	1 509	-39.50	1 615	7.00
Dividends received	–	–	0.00	–	0.00	–	0.00	–	0.00
Fines	0	–	0.00	0	0.00	13	100.00	14	7.00
Licences and permits	–	–	0.00	–	0.00	–	0.00	–	0.00
Agency services	48	14 713	30 728.56	26 859	82.55	20 275	-24.51	22 124	9.12
Transfers recognised - operating	87 337	82 529	-5.50	75 541	-8.47	87 875	16.33	98 757	12.38
Other revenue	556	(1 080)	-294.29	344	-131.87	981	184.85	1 049	7.00
Gains on disposal of PPE	–	–	0.00	68	0.00	72	5.50	77	7.00
Total Revenue (excluding capital transfers and contributions)	101 382	119 860	18.23	120 508	0.54	126 030	4.58	140 263	11.29

Percentage growth in expenditure by type									
Description	2010/11	2011/12	%	2012/13 Medium Term Revenue & Expenditure Framework					
R thousand	Audited Outcome	Adjusted Budget	% Increase	Budget Year 2012/13	% Increase	Budget Year +1 2013/14		Budget Year +2 2014/15	% Increase
Expenditure By Type									
Employee related costs	27 500	31 561	14.76	31 571	0.03	34 728	10.00	38 201	10.00
Remuneration of councillors	6 776	9 409	38.85	9 257	-1.62	9 813	6.01	10 401	6.00
Debt impairment	7 792	799	-89.75	3 801	375.73	4 549	19.68	4 867	7.00
Depreciation & asset impairment	–	4 200	100.00	3 642	-13.29	5 971	63.97	6 671	11.71
Finance charges	21	26	24.40	133	415.58	138	3.37	148	7.00
Bulk purchases	7 291	10 200	39.91	11 381	11.58	13 237	16.31	15 769	19.12
Other materials	–	–	0.00	–	0.00	–	0.00	–	0.00
Contracted services	–	–	0.00	–	0.00	–	0.00	–	0.00
Transfers and grants	–	–	0.00	–	0.00	–	0.00	–	0.00
Other expenditure	27 301	55 717	104.08	60 720	8.98	54 167	-10.79	58 283	7.60
Loss on disposal of PPE	–	–	0.00	–	0.00	–	0.00	–	0.00
Total Expenditure	76 681	111 911	45.94	120 504	7.68	122 602	1.74	134 340	9.57

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality, but operating grants forms the major funding source.

This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. **Details in this regard are contained below:**

EC136 Emalahleni (Ec) - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand											
REVENUE ITEMS:											
Property rates	6										
Total Property Rates		1 981	4 252	4 778	4 763	2 923	2 923	2 923	3 200	3 410	3 649
less Revenue Foregone			(1 187)	(3 003)		(450)	(450)	(450)	(520)	(550)	(589)
Net Property Rates		1 981	3 065	1 772	4 763	2 473	2 473	2 473	2 680	2 860	3 060
Service charges - electricity revenue	6										
Total Service charges - electricity revenue		3 007	3 722	5 398	4 604	5 726	5 726	5 726	6 304	7 249	7 978
less Revenue Foregone		(210)	(411)	(416)		(650)	(650)	(650)	(670)	(690)	(710)
Net Service charges - electricity revenue		2 797	3 311	4 982	4 604	5 076	5 076	5 076	5 634	6 559	7 268
Service charges - water revenue	6										
Total Service charges - water revenue					2 679	3 679	3 679	3 679	3 618	2 976	3 184
less Revenue Foregone				(7)					(800)	(1 413)	(1 512)
Net Service charges - water revenue		-	-	(7)	2 679	3 679	3 679	3 679	2 818	1 563	1 672
Service charges - sanitation revenue											
Total Service charges - sanitation revenue					3 054	3 930	3 930	3 930	3 220	3 426	3 665
less Revenue Foregone				(440)		(200)	(200)	(200)	(2 789)	(2 967)	(3 175)
Net Service charges - sanitation revenue		-	-	(440)	3 054	3 730	3 730	3 730	431	459	491
Service charges - refuse revenue	8										
Total refuse removal revenue		2 241	2 376	2 559	2 688	2 730	2 730	2 730	2 807	2 986	3 195
Total landfill revenue											
less Revenue Foregone				(195)		(40)	(40)	(40)	(42)	(45)	(48)
Net Service charges - refuse revenue		2 241	2 376	2 364	2 688	2 690	2 690	2 690	2 764	2 941	3 147
Other Revenue by source											
Other revenue	3	178	5 410	556	313	(1 080)	(1 080)	(1 080)	344	981	1 049
Total 'Other' Revenue	1	178	5 410	556	313	(1 080)	(1 080)	(1 080)	344	981	1 049

Tariffs for indigent households are set out below:

1	Rates free of charge to the value based on market value of his property to the maximum of R50 000
2	50 kWh free electricity per month
3	6 kiloliters of water free per month
4	Free refuse x 4 removal per month
5	Free sewerage per month

Operating grants and transfers totals R69 814 million in the 2011/12 financial year and increases to R91 695 million by 2014/15. Operating grants usually fluctuates upwards or downwards from year-to-year, as the revenue recognition for such grants depends only on compliance with any conditions attached to such grants and it is also dependant on the funding available from the other spheres of Government. The unconditional Equitable Share Grant, however, is a grant growing annually according to a formula determined nationally and such formula is applicable to all local authorities on an equal basis. The contribution for Councillors Allowances also increased significantly for the budget year. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

EC136 Emalahleni (Ec) - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		31 271	42 184	59 535	64 910	63 910	63 910	72 497	79 460	87 245
Local Government Equitable Share		30 036	40 449	57 535	61 620	61 620	61 620	69 797	75 590	81 744
Finance Management		500	1 000	1 250	1 500	1 500	1 500	1 500	1 500	1 750
Municipal Systems Improvement		735	735	750	790	790	790	800	870	950
MIG Operating										1 301
NDPG					1 000	-	-	400	1 500	1 500
Provincial Government:		16	82	-	-	2 475	2 475	1 358	-	-
Town Revitalisation						750	750			
EPWP						1 625	1 625	1 358	-	
LG SETA		16	82			100	100			
District Municipality:		-	-	19 878	19 256	3 429	3 429	520	535	4 451
Sanitation				6 206	8 743					
Library Grant				495		517	517	520	535	545
SPU						2 659	2 659			1 391
Other						254	254			2 515
Water				13 177	10 513					
Other grant providers:		31 872	13 243	-	-	-	-	-	-	-
		31 872	13 243	-						
Total Operating Transfers and Grants	5	63 160	55 509	79 412	84 166	69 814	69 814	74 375	79 995	91 695
Capital Transfers and Grants										
National Government:		9 818	14 317	22 217	26 135	4 480	4 480	26 145	33 361	36 774
Municipal Infrastructure Grant (MIG)		9 818	13 817	15 978	19 217		-	22 145	23 361	24 712
Integrated National Electrification Programme				5 000	4 480	4 480	4 480	4 000	7 000	5 000
EPWP			500	1 239	2 438		-		3 000	7 062
NDPG										
Provincial Government:		-	-	-	-	-	-	-	-	-
District Municipality:		1 242	1 711	3 243	5 082	-	-	-	2 350	-
Sanitation				1 497	2 282					
Water		1 242	1 711	1 747	2 800				2 350	
Other grant providers:		-	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	11 060	16 028	25 460	31 217	4 480	4 480	26 145	35 711	36 774
TOTAL RECEIPTS OF TRANSFERS & GRANTS		74 220	71 536	104 872	115 383	74 294	74 294	100 520	115 706	128 470

Revenue from capital transfers is indicated below is growing steadily from R26 145 in 2013 to R29 712 in 2015 million over the MTREF period.

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue &		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Transfers recognised - capital	8 016	26 470	0	31 217	4 480	4 480	4 480	26 145	30 361	29 712

Total revenue per municipal vote, including capital transfers, is listed below:

EC136 Emalahleni (Ec) - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)A

Vote Description		Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue by Vote		1									
Vote 1 - Council			1 861	1 892	1 150	2 394	5 053	5 053	2 528	2 674	-
1.1 - Council			1 861	1 892	1 150	2 394	5 053	5 053	2 528	2 674	-
Vote 2 - Executive			-	-	-	-	5 834	5 834	-	-	-
2.1 - Municipal Manager			-	-	-	-	5 834	5 834	-	-	-
Vote 3 - Corporate Services			42	77	81	11	9 904	9 904	12	12	13
3.1 - Human Resources			42	77	81	11	9 904	9 904	12	12	13
Vote 4 - Budget and Treasury			36 150	51 271	56 316	71 712	30 258	30 258	75 415	81 503	91 096
4.1 - Financial Services			33 908	48 060	53 576	66 617	25 980	25 980	72 235	78 111	87 466
4.2 - Assessment Rates			2 241	3 211	2 739	5 096	4 278	4 278	3 180	3 392	3 629
Vote 5 - IPED			4 075	1 347	1	1 000	7 095	7 095	403	4 503	8 565
5.1 - IPED			4 075	1 347	1	1 000	7 095	7 095	403	4 503	8 565
Vote 6 - Community Services			1 130	816	731	1 252	7 043	7 043	1 340	1 407	1 478
6.1 - Community Services Admin			-	-	37	1 252	1 763	1 763	-	-	-
6.2 - Parks and Public Open Spaces			-	-	-	-	343	343	-	-	-
6.3 - Cemeteries			27	30	28	-	366	366	38	41	44
6.4 - Community and Town Halls			438	205	123	-	874	874	185	197	211
6.5 - Libraries			211	221	3	-	517	517	521	536	546
6.6 - Sport Fields			7	4	3	-	402	402	8	9	9
6.7 - Resorts			163	179	107	-	288	288	267	284	304
6.8 - Admin Buildings			72	(0)	-	-	1 653	1 653	1	1	2
6.9 - Commonage			212	179	430	-	836	836	319	338	362
Vote 7 - Water And Sanitation			(0)	-	33 758	28 741	36 873	36 873	29 229	23 727	25 817
7.1 - Sanitation			(0)	-	(440)	12 982	16 311	16 311	2 636	2 804	3 001
7.2 - Water			-	-	34 198	15 759	20 562	20 562	26 593	20 922	22 817
Vote 8 - Refuse			3 171	2 579	3 543	2 965	4 003	4 003	3 054	3 249	3 476
8.1 - Refuse			3 171	2 579	3 543	2 965	4 003	4 003	3 054	3 249	3 476
Vote 9 - Roads Transport			9 320	28 554	81	2 279	3 860	3 860	25 008	27 123	28 723
9.1 - Licencing and Registration			1 180	1 685	24	1 957	46	46	-	2 174	2 326
9.2 - Roads and Storm Water			8 016	26 762	0	-	1 625	1 625	23 503	23 361	24 712
9.3 - Technical Services Admin			124	107	57	322	2 189	2 189	1 505	1 588	1 684
Vote 10 - Electricity			4 278	4 992	5 107	4 655	15 876	15 876	9 665	13 592	12 303
10.1 - Streetlights			0	1 510	66	-	832	832	916	1 053	1 159
10.2 - Electricity Trading Services			4 278	3 482	5 041	4 655	14 844	14 844	8 749	12 539	11 144
Vote 11 - Housing Services			3 382	102	-	-	-	-	-	-	-
11.1 - Housing			3 382	102	-	-	-	-	-	-	-
Total Revenue by Vote		2	63 410	91 629	100 767	115 010	125 598	125 598	146 654	157 789	171 470

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by an external agency, the impact it has on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

The municipality budgets for the non-payment of accounts based on past experience of recovery rates. The municipality applies its Credit Control Policy stringently but there are always situations where there are defaults on payment. The contribution for bad debt is increasing from R3 801 million in 2012/13 to R4 867 million in 2014/15 financial year.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy to a maximum valuation of R60 000;
- The limit for indigent households is twice the amount of government social pensions.

The municipality investigates a tariff structure consistent with operational requirements but also to ensure that the ratepayers are not over-burdened.

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2012/13 financial year based on a general 5.4 per cent increase from 1 July 2012.

ASSESSMENT RATES							
Ratios							
Undeveloped land	1.0						
Institutional	1.5						
Land and Buildings	1.0						
Business	1.5						
Government	1.5						
Agricultural	0.25						
Public service Infrastructure	0.25						
Public benefit organisation	0.25						
		1.050	1.048	1.054	1.054	1.054	
FINANCIAL YEARS							
		2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
LADY FRERE		0.0059	0.0062	0.0065	0.0068	0.0072	0.0076
DORDRECHT		0.0059	0.0062	0.0065	0.0068	0.0072	0.0076
INDWE		0.0059	0.0062	0.0065	0.0068	0.0072	0.0076
Interest will be charged on all late payments. Property rates for registered indigent customers will be subsidized as per the Indigent policy..							

1.4.2 Sale of Water and Sanitation and the Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. In addition, recent droughts caused water carting to be introduced by the Chris Hani District Municipality. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

The municipality obtains water from the Chris Hani District Municipality (CHDM) and deliver the service on behalf of the CHDM. The CHDM reimburses the municipality for the difference in expenditure incurred in delivering the service and the cash received from consumers as payment for the services. The municipality is concerned, that claims are not properly done monthly which ends up annually that the District owns monies to the local municipality.

Furthermore, the CHDM indicated that the water tariffs to the consumers are not cost reflective and as such the tariffs will increase substantially from the 2012/2013 financial year. Similarly, the CHDM also indicated the tariffs for sanitation are not cost reflective and may be subjected to significant increases.

WATER						
FINANCIAL YEARS	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Tariffs exclude VAT						
Domestic Consumers: (Metered)						
Basic/Availability Charge per month (6kl free water included)		1.06	1.048	1.06	1.06	1.06
DORDRECHT	29.66	31.44	32.95	34.93	37.02	39.24
INDWE	29.66	31.44	32.95	34.93	37.02	39.24
Per KL consumed						
DORDRECHT	3.33	3.53	3.70	3.92	4.16	4.41
INDWE	3.33	3.53	3.70	3.92	4.16	4.41
Domestic Consumers: (Unmetered)						
Basic/Availability Charge per month (Unmetered on site)						
LADY FRERE	43.15	45.74	47.93	50.81	53.86	57.09
DORDRECHT	43.15	45.74	47.93	50.81	53.86	57.09
INDWE	43.15	45.74	47.93	50.81	53.86	57.09
Basic/Availability Charge per month (Standpipes)						
LADY FRERE	43.15	45.74	47.93	50.81	53.86	57.09
Commercial Consumers: (Metered)						
Basic/Availability Charge per month						
DORDRECHT	43.15	45.74	47.93	50.81	53.86	57.09
INDWE	43.15	45.74	47.93	50.81	53.86	57.09
Per KL consumed						
DORDRECHT	3.33	3.53	3.70	3.92	4.16	4.41
INDWE	3.33	3.53	3.70	3.92	4.16	4.41
LADY FRERE (FLAT RATE)				27.00	28.62	30.34
DORDRECHT (UPCOMING STRUCTURES)				42.00	44.52	47.19
INDWE (UPCOMING STRUCTURES)				42.00	44.52	47.19
Government Consumers: (Metered)						
Basic/Availability Charge per month						
DORDRECHT	179.69	190.47	199.61	211.59	224.29	237.74
Per KL consumed						
DORDRECHT	3.33	3.53	3.70	3.92	4.16	4.41
Indigents						
LADY FRERE	0	0.00	0.00	0.00	0.00	0.00
DORDRECHT	0	0.00	0.00	0.00	0.00	0.00
INDWE	0	0.00	0.00	0.00	0.00	0.00
6 kl free plus 2 kl for HIV/AIDS positive, usage exceeding 6 kl standard tariff will apply						
New connection fees						
Residential		625.00	655.00	694.30	735.96	780.12
Business		1 590.00	1 666.32	1 766.30	1 872.28	1 984.61

Although water inventory belongs to the CHDM, the municipality continuously explores ways to limit the water losses to an acceptable level. There will always be water line losses due to burst pipes and as repairs thereof requires flushing of systems before being distributed again. However any losses above 13% is considered excessive by the Auditor-General's office and regarded as fruitless expenditure.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 16 per cent increase in the Eskom bulk electricity was given by NERSA. However, NERSA has indicated a 11.03 % tariff increase to municipalities will be effective from 1 July 2012.

Considering the Eskom increases, the consumer tariff had to be increased by 11,03 per cent to offset the additional bulk purchase cost from 1 July 2012. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

ELECTRICITY TARIFFS & CHARGES (Excl VAT)

Standard interest + 1.00% would be charged on all late payments

Implementation subject to NER approval

Tariffs are applicable throughout Emalahleni Municipality unless indicated otherwise

ELECTRICITY							
All The Tariffs are VAT <u>exclusive</u>							
Fees <u>exclude</u> cables, trenching and circuit breaker.							
FINANCIAL YEARS	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	
Domestic Consumers: (Pre-paid)							
Single Phase (per KWh consumed)		1.2	1.2238	BLOCK 3	BLOCK 3	BLOCK 3	
DORDRECHT	1.01	0.76	0.92	1.12	1.0247	1.09	1.09
INDWE	1.01	0.76	0.92	1.12	1.0247	1.09	1.09
Domestic Three Phase (per KWh consumed/Energy Charge)							
DORDRECHT	Leave as is: 1.26	0.86	1.03	1.26	1.26	1.09	1.09
Domestic Consumers: (Metered)							
Basic/Availability Charge per month (Single Phase)							
DORDRECHT		48.60	58.32	71.37	81.00	1.09	1.09
INDWE		48.60	58.32	71.37	81.00	1.09	1.09
Basic/Availability Charge per month (Three Phase)							
DORDRECHT		104.31	125.17	153.18	172.90	1.09	1.09
Per KWh consumed							
DORDRECHT		0.61	0.73	0.89	1.00	1.09	1.09
INDWE		0.61	0.73	0.89	1.00	1.09	1.09
COMMERCIAL TARIFFS							
Commercial Consumers: (Metered)							
				Commercial	Commercial	Commercial	
Basic/Availability Charge per month (Single Phase)							
DORDRECHT		170.00	204.00	249.66	278.00	1.35	1.35
INDWE		170.00	204.00	249.66	278.00	1.35	1.35
Basic/Availability Charge per month (Three Phase)							
DORDRECHT		346.27	415.52	508.52	568.60	1.35	1.35
Per Kwh consumed/Energy Charge.							
DORDRECHT		0.61	0.73	0.89	1.00	1.35	1.35
INDWE		0.61	0.73	0.89	1.00	1.35	1.35
Small Commercial Consumers: (Pre-paid meters)							
Single Phase (per KWh consumed)							
DORDRECHT	1.22 was approved	0.86	1.03	1.22	1.33	1.35	1.35
INDWE		0.86	1.03	1.22	1.33	1.35	1.35
Three Phase (per consumed) /Energy.							
DORDRECHT	1.24 was approved	0.86	1.04	1.24	1.35	1.35	1.35
INDWE		0.86	1.04	1.24	1.35	1.35	1.35
Large Commercial Consumers: (Metered)							
Basic/Availability Charge per month (Single Phase).							
DORDRECHT		333.75	400.50	490.13	572.00	1.35	1.35
INDWE	skip for now	433.79	520.54	637.04	637.04	1.35	1.35
Per KWh consumed/energy Charge.							
DORDRECHT		0.33	0.40	0.49	0.56	1.35	1.35
INDWE		0.30	1.50	1.84	1.84	1.35	1.35

Demand Charge.							
DORDRECHT		108.31	129.97	159.06	172.98	1.35	1.35
INDWE		108.31	129.97	159.06	159.06	1.35	1.35
Indigent Households					Block 1	Block 1	Block 1
50 Kw free electricity							
Per KVA consumed							
DORDRECHT	0.84 was appr	0.58	0.69	0.84	0.84	0.66	0.66
INDWE		0.58	0.69	0.84	0.84	0.66	0.66
Percentage of Increase					1.1103	1.1103	1.1103
Re-connection fee:			183.00	223.96	248.66	276.08	306.54
Tampering with meters			2 200.60	2 693.09	2 930.14	3 319.96	3 686.15
New connections:							
Single phase:- Residential			512.00	626.59	695.70	772.43	857.63
Business			963.04	1 178.57	1 308.56	1 452.90	1 613.15
Three phase:- Business Commercial(50KVA)			2 900.00	3 549.02	3 940.48	4 375.11	4 857.69
Business/Commercial (100KVA)			7 400.00	9 056.12	10 055.01	11 164.08	12 395.48

Electricity is regarded as a trading account which should make a profit, although NERSA monitors and limits this profit to about 10% if possible. The municipality does not make a profit on electricity and must implement ways of achieving a profit, without overburdening the consumers with exorbitant tariffs. The municipality needs to established the causes for electricity losses. The loss on the electricity service over the MTREF is 13,7 percent for 2012/2013 and 13,9 percent and 14,1 percent for the outer years

Electricity line losses should be continuously monitored as it can represent a significant financial loss for the municipality. In general electricity line losses of 10% is being regarded as "acceptable" in the industry and Emalahleni Municipality is well above that norm.

Comparison between current electricity charges and increases

It should further be noted that NERSA has advised that a stepped tariff structure must be used. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The Municipality should comply with this requirement.

1.4.4 Waste Removal and Impact of Tariff Increases

The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main cost drivers for this section are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. In addition, the cost of new landfill sites, the effect of depreciation and rehabilitation on these landfill sites all plays an important role as cost drivers. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation should be incorporated into the next planning cycle.

Higher increases than inflation will not be viable in 2013/14 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 6 per cent would not only be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt, but also, although on a small scale, not assisting the national government in reaching the CPIX target of between 3 and 6 percent.

The following table compares current and proposed amounts payable from 1 July 2012:

Comparison between current waste removal fees and increases

REFUSE REMOVAL							
FINANCIAL YEARS	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	
Tariffs exclude VAT							
Domestic Consumers:							
Basic/Availability Charge per month		1.057	1.048	1.054	1.054	1.054	
LADY FRERE	50.83	53.73	56.31	59.35	62.55	65.93	
DORDRECHT	50.83	53.73	56.31	59.35	62.55	65.93	
INDWE	50.83	53.73	56.31	59.35	62.55	65.93	
Commercial Consumers:							
Basic/Availability Charge per month							
LADY FRERE	101.65	107.44	112.60	118.68	125.09	131.85	
DORDRECHT	101.65	107.44	112.60	118.68	125.09	131.85	
INDWE	101.65	107.44	112.60	118.68	125.09	131.85	
Government Consumers:							
Basic/Availability Charge per month							
LADY FRERE	253.90	268.37	281.25	296.44	312.45	329.32	
DORDRECHT	253.90	268.37	281.25	296.44	312.45	329.32	
INDWE	253.90	268.37	281.25	296.44	312.45	329.32	
Indigents:							
Basic/Availability Charge per month							
LADY FRERE	-	-	-	-	-	-	
DORDRECHT	-	-	-	-	-	-	
INDWE	-	-	-	-	-	-	
Special Refuse collection							
Collection of Garden Refuse	185.93	196.53	205.96	217.08	228.81	241.16	
Special Refuse collection - Government and Commercial	220.95	233.54	244.75	257.97	271.90	286.58	
Tree- cutting inside yard :	2 100.00	2 219.70	2 326.25	2 451.86	2 584.26	2 723.81	
Rubble per load/building remains	-	-	238.14	251.00	264.55	278.84	

1.4.5 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on different households. The National Treasury adjusted the way comparatives are being calculated and for that reason current tariffs are unfortunately not included.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to about 6%, excluding the electricity adjustments.

EC 136 Emalahleni (Ec) - Supporting Table SA14 Household bills				
Description	2012/13 Medium Term Revenue & Expenditure Framework			
	2012/13	2012/13	+1 2013/14	2014/15
Rand/cent	% incr.			
- 'Middle Income Range'				
Rates and services charges:				
Property rates	5.4%	399.64	421.22	443.97
Electricity : Basic levy	5.4%	75.22	79.29	83.57
Electricity : Consumption	11.0%	1 243.54	1 380.70	1 532.99
Water: Basic levy	6.0%	34.93	37.02	39.24
Water: Consumption	6.0%	117.66	124.72	132.20
Sanitation	5.4%	65.23	68.75	72.88
Refuse removal	5.4%	59.35	62.55	65.93
Other				
sub-total	8.9%	1 995.57	2 174.25	2 370.78
VAT on Services				
Total large household bill:	8.9%	1 995.57	2 174.25	2 370.78
% increase/-decrease		8.9%	9.0%	9.0%
- 'Affordable Range'				
Rates and services charges:				
Property rates	5.4%	285.46	300.87	317.12
Electricity : Basic levy	5.4%	75.22	79.29	83.57
Electricity : Consumption	11.0%	621.77	690.35	766.49
Water: Basic levy	6.0%	34.93	37.02	39.24
Water: Consumption	6.0%	98.05	103.93	110.17
Sanitation	5.4%	65.23	68.75	72.88
Refuse removal	5.4%	59.35	62.55	65.93
Other				
sub-total	8.2%	1 240.01	1 342.76	1 455.40
VAT on Services				
Total small household bill:	8.2%	1 240.01	1 342.76	1 455.40
% Increase/-decrease		8.2%	8.3%	8.4%
- 'Indigent' Household receiving				
Rates and services charges:				
Property rates	5.4%	171.28	180.52	190.27
Electricity : Basic levy	-	-	-	-
Electricity : Consumption	11.0%	373.06	414.21	459.90
Water: Basic levy	-	-	-	-
Water: Consumption	-	-	-	-
Sanitation	-	-	-	-
Refuse removal	-	-	-	-
Other				
sub-total	7.9%	544.34	594.73	650.17
VAT on Services		52.23	57.99	64.39
Total small household bill:	7.9%	596.56	652.72	714.55
% increase/-decrease		7.9%	8.0%	8.1%

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- Guidance provided by National Treasury in Circulars 58 and 59;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Limitation on tariff increases.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

EC136 Emalahleni (Ec) - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)									
Standard Classification Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue &		
R thousand	Audited	Audited	Audited	Original	Adjusted	Full Year	Budget Year	Budget Year	Budget Year
Expenditure - Standard									
<i>Municipal governance and administration</i>	20 681	21 206	43 085	45 036	41 730	41 730	46 693	49 869	54 116
Executive and council	10 428	(5 167)	16 131	20 884	21 027	21 027	23 219	24 309	26 275
Mayor and Council	8 683	(7 703)	11 553	14 910	16 038	16 038	17 034	18 168	19 132
Municipal Manager	1 745	2 535	4 578	5 975	4 989	4 989	6 185	6 141	7 143
Budget and treasury office	3 213	18 993	16 995	15 045	10 332	10 332	12 213	13 275	14 506
Corporate services	7 040	7 381	9 959	9 106	10 371	10 371	11 261	12 285	13 335
Human Resources	7 040	7 381	9 959	9 106	10 371	10 371	11 261	12 285	13 335
<i>Community and public safety</i>	8 626	3 959	6 098	11 568	8 395	8 395	21 376	24 393	27 986
Community and social services	3 580	2 631	4 337	10 186	5 788	5 788	8 508	9 056	9 861
Libraries and Archives	210	246	280	-	294	294	323	353	386
Community halls and Facilities	702	375	616	-	567	567	1 620	1 743	1 883
Cemeteries & Crematoriums	121	47	205	-	242	242	469	508	552
Other Community	2 546	1 962	3 236	10 186	4 685	4 685	6 096	6 451	7 039
Sport and recreation	146	144	217	355	798	798	322	951	1 084
Public safety	396	362	314	-	658	658	11 087	12 789	15 289
Housing	4 504	822	1 230	1 027	1 151	1 151	1 459	1 597	1 751
<i>Economic and environmental services</i>	9 462	8 962	10 955	37 795	25 983	25 983	17 710	16 400	17 693
Planning and development	4 876	3 097	3 645	7 054	7 840	7 840	8 241	5 919	6 404
Economic Development/Planning	4 876	3 097	3 645	7 054	7 840	7 840	8 241	5 919	6 404
Town Planning/Building enforcement	-	-	-	-	-	-	-	-	-
Licensing & Regulation	-	-	-	-	-	-	-	-	-
Road transport	4 607	5 865	7 310	30 741	18 142	18 142	9 469	10 482	11 290
Roads	3 325	4 499	7 256	29 477	16 860	16 860	9 441	9 047	9 753
Vehicle Licensing and Testing	1 281	1 366	54	1 264	1 283	1 283	28	1 435	1 536
<i>Trading services</i>	6 833	8 398	15 927	54 273	37 061	37 061	34 725	33 337	36 040
Electricity	4 892	5 620	12 578	16 467	15 479	15 479	2 571	3 318	3 621
Electricity Distribution	4 892	5 620	12 578	16 467	15 479	15 479	2 571	3 318	3 621
Electricity Generation	-	-	-	-	-	-	-	-	-
Water	0	(0)	-	18 559	11 959	11 959	18 266	15 146	16 337
Water Distribution	0	(0)	-	18 559	11 959	11 959	18 266	15 146	16 337
Waste water management	-	-	-	15 264	6 285	6 285	10 598	11 338	12 188
Sewerage	-	-	-	15 264	6 285	6 285	10 598	11 338	12 188
Waste management	1 942	2 778	3 349	3 983	3 338	3 338	3 289	3 536	3 893
Solid Waste	1 942	2 778	3 349	3 983	3 338	3 338	3 289	3 536	3 893
Other	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	45 623	42 526	76 066	148 672	113 169	113 169	120 504	123 999	135 835

The budgeted allocation for employee related costs for the 2012/13 financial year totals

R31 571million, which equals 26.20 per cent of the total operating expenditure. This percentage increases to 28.3 and 28.4 per cent in the outer years of the MTREF period. Should electricity bulk purchases and depreciation be excluded, in order to compare it with other municipalities on an more equal basis, the costs represent 29.9 per cent of the expenditure and increase to 33.5 and 34.1per cent in the outer years. Based on the guidance provided by National Treasury in Circular 58 and in the absence on a new collective agreement on increases, salary increases have been factored into this budget at a percentage increase of 7.5 per cent plus notch increases for the 2012/13 financial year. An annual increase of 7.5 per cent has been included in the two outer years of the MTREF.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 15 per cent and the Debt Write-off Policy of the Municipality. For the 2012/13 financial year this amount equates to R3 801 million and escalates to R4 867 million by 2014/15. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R3 642 million for the 2012/13 financial and equates to 3 per cent of the total operating expenditure. In order to measure it against other municipalities, if electricity bulk purchases are eliminated, it represents 3.3 per cent of the expenditure. The average for local municipalities in recent research is 11,76 per cent, and this small difference indicating that expected useful lives and depreciation rates are realistic.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses. Electricity bulk purchases represents 9.4 per cent of expenditure and increase to per cent and 11.7 per cent in the outer years. If depreciation is excluded, the percentage is 9.7 per cent for the budget year and increasing to 11.3 per cent and 12.35 per cent in the outer years.

National Treasury is introducing a new Chart of Accounts and additional expenditure line-items in the budget. One of these line-items is "Other materials". Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. This group of expenditure has been identified in order to measure sustainability of the Municipality's infrastructure. The municipality's financial systems are, however, not yet ready to implement this change and will be addressed in future budgets.

Main operational expenditure categories for the 2012/13 financial year

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2012/13 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset management policy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, National Treasury requires municipalities to adapt their costing systems to reflect these costs as Repairs and Maintenance. The municipality financial systems, as yet, cannot provide for this request and it will be implemented in future budgets.

During the compilation of the 2012/13 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, the municipality identified this, together with other strategic items, as priority to be investigated and changes to be incorporated into the next budget, if not already to the 2012/2013 Adjustments Budget. The table below provides a breakdown of the repairs and maintenance in relation to asset class:

EC136 Emalahleni (Ec) - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1									
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		380	279	891	1 978	1 400	1 400	4 950	2 440	2 611
Infrastructure - Road transport		276	211	447	786	720	720	828	873	934
Roads, Pavements & Bridges		154	191	342	524	600	600	552	582	623
Storm water		122	20	105	262	120	120	276	291	311
Infrastructure - Electricity		89	68	445	1 033	180	180	701	865	925
Generation		-	-	-	-	-	-	-	-	-
Transmission & Reticulation		6	57	366	105	105	105	110	116	125
Street Lighting		82	11	78	928	75	75	590	748	801
Infrastructure - Water		-	-	-	158	500	500	3 422	703	752
Dams & Reservoirs		-	-	-	-	-	-	-	-	-
Water purification		-	-	-	-	-	-	-	-	-
Reticulation Water		-	-	-	158	500	500	3 422	703	752
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Reticulation		-	-	-	-	-	-	-	-	-
Sewerage purification		-	-	-	-	-	-	-	-	-
Infrastructure - Other		15	-	-	-	-	-	-	-	-
Waste Management		15	-	-	-	-	-	-	-	-
Transportation	2	-	-	-	-	-	-	-	-	-
Gas		-	-	-	-	-	-	-	-	-
Other	3	-	-	-	-	-	-	-	-	-
Community		89	58	41	497	10	10	394	434	464
Parks & gardens		5	4	7	74	-	-	86	92	98
Sports Fields & stadia		7	26	15	44	10	10	46	49	53
Swimming pools		-	-	-	-	-	-	-	-	-
Community halls		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Recreational facilities		-	-	-	-	-	-	-	-	-
Fire, safety & emergency		-	-	-	-	-	-	-	-	-
Security and policing		28	-	-	243	-	-	120	142	152
Buses	7	-	-	-	-	-	-	-	-	-
Clinics		-	-	-	-	-	-	-	-	-
Museums & Art Galleries		-	-	-	-	-	-	-	-	-
Cemeteries		50	29	19	136	-	-	142	151	161
Social rental housing	8	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Buildings		-	-	-	-	-	-	-	-	-
Other	9	-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Housing development		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Other assets		1 256	1 014	1 574	3 686	3 198	3 198	5 488	4 301	4 602
General vehicles		673	831	892	1 807	1 436	1 436	1 865	1 632	1 746
Specialised vehicles		-	-	-	-	-	-	-	-	-
Plant & equipment		98	58	156	760	1 547	1 547	2 231	1 372	1 468
Computers - hardware/equipment		-	-	-	10	2	2	32	12	12
Furniture and other office equipment		34	59	63	247	68	68	295	306	328
Abattoirs		-	-	-	-	-	-	-	-	-
Markets		-	-	-	-	-	-	-	-	-
Civic Land and Buildings		-	-	-	-	-	-	-	-	-
Other Buildings		451	66	463	862	146	146	1 066	979	1 047
Other Land		-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Agricultural assets		-	-	-	-	-	-	-	-	-
List sub-class		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
List sub-class		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Computers - software & programming		-	-	-	-	-	-	-	-	-
Other (list sub-class)		-	-	-	-	-	-	-	-	-
Total Repairs and Maintenance Expenditure	1	1 725	1 351	2 506	6 162	4 608	4 608	10 832	7 175	7 677

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register all indigent households during the 2012/13 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained below. (Note that Water and Sanitation, although provided by the municipality, is the function of CHDM)

The cost of the social package of the registered indigent households is financed by the municipality self and largely by utilising the municipality's unconditional equitable share, allocated in terms of the Constitution to local government, and received in terms of the annual Division of Revenue Act. The income foregone as a result of free basic services totals

R4 821million in the budget year and increasing to R5 665 million and R6 033 million in the outer years.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

EC136 Emalahleni (Ec) - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Executive		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	450	-	-	-	-	-	-
Vote 4 - Budget and Treasury		793	1 810	-	640	-	-	-	-	-	-
Vote 5 - IPED		-	20	-	20	-	-	-	-	-	-
Vote 6 - Community Services		1 186	3 353	-	557	-	-	-	-	-	-
Vote 7 - Water And Sanitation		-	4 650	-	5 082	-	-	-	-	-	-
Vote 8 - Refuse		7 180	750	-	350	-	-	-	2 000	5 000	-
Vote 9 - Roads Transport		8 418	14 667	-	21 665	-	-	-	1 995	2 499	-
Vote 10 - Electricity		-	810	-	4 480	-	-	-	-	-	-
Vote 11 - Housing Services		-	1 015	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	17 557	27 075	-	33 244	-	-	-	3 995	7 499	-
Single-year expenditure to be appropriated	2										
Vote 1 - Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Executive		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	-	180	180	180	180	170	185
Vote 4 - Budget and Treasury		-	-	-	-	730	730	730	900	810	740
Vote 5 - IPED		-	-	-	-	-	-	-	1 275	75	80
Vote 6 - Community Services		-	-	-	-	61	61	61	6 550	140	120
Vote 7 - Water And Sanitation		-	-	-	-	-	-	-	-	-	-
Vote 8 - Refuse		-	-	-	-	550	550	550	-	-	-
Vote 9 - Roads Transport		-	-	-	-	-	-	-	10 900	16 003	24 832
Vote 10 - Electricity		-	-	-	-	-	-	-	-	-	-
Vote 11 - Housing Services		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	-	1 521	1 521	1 521	19 055	17 338	26 057
Total Capital Expenditure - Vote		17 557	27 075	-	33 244	1 521	1 521	1 521	23 950	24 836	26 057

The following table provides more information on the breakdown of the capital budget and the related maintenance of assets.

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		380	279	891	1 978	1 400	1 400	4 950	2 440	2 611
Infrastructure - Road transport		276	211	447	786	720	720	828	873	934
Roads, Pavements & Bridges		154	191	342	524	600	600	552	582	623
Storm water		122	20	105	262	120	120	276	291	311
Infrastructure - Electricity		89	68	445	1 033	180	180	701	865	925
Generation		-	-	-	-	-	-	-	-	-
Transmission & Reticulation		6	57	366	105	105	105	110	116	125
Street Lighting		82	11	78	928	75	75	590	748	801
Infrastructure - Water		-	-	-	158	500	500	3 422	703	752
Dams & Reservoirs		-	-	-	-	-	-	-	-	-
Water purification		-	-	-	-	-	-	-	-	-
Reticulation Water		-	-	-	158	500	500	3 422	703	752
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Reticulation		-	-	-	-	-	-	-	-	-
Sewerage purification		-	-	-	-	-	-	-	-	-
Infrastructure - Other		15	-	-	-	-	-	-	-	-
Waste Management		15	-	-	-	-	-	-	-	-
Transportation	2	-	-	-	-	-	-	-	-	-
Gas		-	-	-	-	-	-	-	-	-
Other	3	-	-	-	-	-	-	-	-	-
Community		89	58	41	497	10	10	394	434	464
Parks & gardens		5	4	7	74	-	-	86	92	98
Sports Fields & stadia		7	26	15	44	10	10	46	49	53
Swimming pools		-	-	-	-	-	-	-	-	-
Community halls		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Recreational facilities		-	-	-	-	-	-	-	-	-
Fire, safety & emergency		-	-	-	-	-	-	-	-	-
Security and policing		28	-	-	243	-	-	120	142	152
Buses		-	-	-	-	-	-	-	-	-
Clinics		-	-	-	-	-	-	-	-	-
Museums & Art Galleries		-	-	-	-	-	-	-	-	-
Cemeteries		50	29	19	136	-	-	142	151	161
Social rental housing		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Buildings		-	-	-	-	-	-	-	-	-
Other	9	-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Housing development		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Other assets		1 256	1 014	1 574	3 686	3 198	3 198	5 488	4 301	4 602
General vehicles		673	831	892	1 807	1 436	1 436	1 865	1 632	1 746
Specialised vehicles		-	-	-	-	-	-	-	-	-
Plant & equipment		98	58	156	760	1 547	1 547	2 231	1 372	1 468
Computers - hardware/equipment		-	-	-	10	2	2	32	12	12
Furniture and other office equipment		34	59	63	247	68	68	295	306	328
Abattoirs		-	-	-	-	-	-	-	-	-
Markets		-	-	-	-	-	-	-	-	-
Civic Land and Buildings		-	-	-	-	-	-	-	-	-
Other Buildings		451	66	463	862	146	146	1 066	979	1 047
Other Land		-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Agricultural assets		-	-	-	-	-	-	-	-	-
List sub-class		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
List sub-class		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Computers - software & programming		-	-	-	-	-	-	-	-	-
Other (list sub-class)		-	-	-	-	-	-	-	-	-
Total Repairs and Maintenance Expenditure	1	1 726	1 351	2 506	6 162	4 608	4 608	10 832	7 175	7 677

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 61 MBRR SA35 on page 91. This table shows that future operational costs associated with the capital programme totals R2,2 million in 2012/13 and escalates to R4,4 million by 2013/14. This concomitant operational expenditure is expected to escalate to R6,5 million by 2014/15. It needs to be noted that as part of the 2012/13 MTREF, this expenditure has been factored into the two outer years of the operational budget.

EC136 Emalahleni (Ec) - Supporting Table SA35 Future financial implications of the capital budget

Vote Description R thousand	Ref	2012/13 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	Forecast 2015/16	Forecast 2016/17	Forecast 2017/18	Present value
Capital expenditure	1							
Vote 1 - Council		-	-	-				
Vote 2 - Executive		180	170	185				
Vote 3 - Corporate Services		150	140	120				
Vote 4 - Budget and Treasury		900	810	740				
Vote 5 - PED		75	75	60				
Vote 6 - Community Services		6 550	140	120				
Vote 7 - Water And Sanitation		-	-	-				
Vote 8 - Refuse		2 000	5 000	-				
Vote 9 - Roads Transport		14 095	18 501	24 832				
Vote 10 - Electricity		-	-	-				
Vote 11 - Housing Services		-	-	-				
<i>List entity summary if applicable</i>								
Total Capital Expenditure		23 950	24 836	26 057	-	-	-	-
Future operational costs by vote	2							
Vote 1 - Council								
Vote 2 - Executive								
Vote 3 - Corporate Services								
Vote 4 - Budget and Treasury								
Vote 5 - PED								
Vote 6 - Community Services								
Vote 7 - Water And Sanitation								
Vote 8 - Refuse								
Vote 9 - Roads Transport								
Vote 10 - Electricity								
Vote 11 - Housing Services								
<i>List entity summary if applicable</i>								
Total future operational costs		-	-	-	-	-	-	-
Future revenue by source	3							
Property rates								
Property rates - penalties & collection charges								
Service charges - electricity revenue								
Service charges - water revenue								
Service charges - sanitation revenue								
Service charges - refuse revenue								
Service charges - other								
Rental of facilities and equipment								
<i>List other revenues sources if applicable</i>								
<i>List entity summary if applicable</i>								
Total future revenue		-	-	-	-	-	-	-
Net Financial Implications		23 950	24 836	26 057	-	-	-	-

1.7 Annual Budget Tables

(The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2012/13 budget and MTREF to be approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.)

EC136 Emalahleni (Ec) - Table A1 Budget Summary

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Financial Performance										
Property rates	1 981	3 065	1 772	5 096	2 473	2 473	2 473	2 680	2 880	3 060
Service charges	5 038	5 686	6 899	13 024	15 180	15 180	15 180	11 653	11 527	12 583
Investment revenue	3 910	2 387	1 830	2 592	1 265	1 265	1 265	14	14	15
Transfers recognised - operational	41 159	46 465	87 337	65 429	82 529	82 529	82 529	75 541	87 875	98 757
Other own revenue	2 251	6 570	3 544	28 870	18 414	18 414	18 414	30 622	23 754	25 847
Total Revenue (excluding capital transfers and contributions)	54 319	64 174	101 382	115 010	119 860	119 860	119 860	120 508	126 030	140 263
Employee costs	15 859	3 194	27 500	39 469	31 561	31 561	31 561	31 571	34 728	38 201
Remuneration of councillors	5 742	5 934	6 776	8 791	9 409	9 409	9 409	9 257	9 813	10 401
Depreciation & asset impairment	-	-	-	679	4 200	4 200	4 200	3 642	5 971	6 671
Finance charges	1 477	47	21	-	26	26	26	133	138	148
Materials and bulk purchases	4 114	5 062	7 291	9 179	10 200	10 200	10 200	11 381	13 237	15 769
Transfers and grants	-	-	-	34 507	-	-	-	-	-	-
Other expenditure	17 355	27 305	35 093	56 046	56 516	56 516	56 516	64 521	58 715	63 150
Total Expenditure	44 548	41 542	76 681	148 671	111 911	111 911	111 911	120 504	122 802	134 340
Surplus/(Deficit)	9 771	22 632	24 701	(33 661)	7 949	7 949	7 949	4	3 428	5 923
Transfers recognised - capital	8 016	26 470	0	31 217	4 480	4 480	4 480	26 145	30 361	29 712
Contributions recognised - capital & contributed	-	-	-	(2 026)	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	17 787	49 103	24 701	(4 470)	12 429	12 429	12 429	26 150	33 789	35 636
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	17 787	49 103	24 701	(4 470)	12 429	12 429	12 429	26 150	33 789	35 636
Capital expenditure & funds sources										
Capital expenditure	17 557	27 076	-	33 244	1 521	1 521	1 521	23 950	24 836	26 057
Transfers recognised - capital	9 604	20 314	-	31 217	-	-	-	22 145	23 361	24 712
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	7 953	6 762	-	2 027	1 521	1 521	1 521	1 805	1 475	1 345
Total sources of capital funds	17 557	27 076	-	33 244	1 521	1 521	1 521	23 950	24 836	26 057
Financial position										
Total current assets	88 329	75 706	77 440	37 885	80 100	80 100	80 100	88 500	102 770	118 407
Total non current assets	75 714	203 517	225 490	-	222 811	222 811	222 811	243 120	261 985	281 372
Total current liabilities	36 125	29 474	28 581	-	24 093	24 093	24 093	26 552	25 998	25 386
Total non current liabilities	16 736	1 314	1 219	-	1 106	1 106	1 106	1 106	1 106	1 106
Community wealth/Equity	110 182	248 435	273 131	-	277 713	277 713	277 713	303 862	337 652	373 287
Cash flows										
Net cash from (used) operating	17 623	116 905	12 966	(2 508)	(1 539)	(1 539)	(1 539)	27 397	30 570	32 391
Net cash from (used) investing	(10 701)	(126 803)	(34 157)	(64)	(1 521)	(1 521)	(1 521)	(23 883)	(24 765)	(25 981)
Net cash from (used) financing	(84)	(75)	(104)	-	(93)	(93)	(93)	2	3	3
Cash/cash equivalents at the year end	49 718	39 745	18 450	37 885	15 297	15 297	15 297	18 814	24 622	31 037
Cash backing/surplus reconciliation										
Cash and investments available	49 718	39 745	18 450	37 885	15 297	15 297	15 297	18 814	24 622	31 037
Application of cash and investments	8 488	(11 234)	29 449	-	(28 558)	(28 558)	(28 558)	(33 558)	(27 936)	(28 917)
Balance - surplus (shortfall)	41 230	50 979	(10 999)	37 885	43 855	43 855	43 855	52 370	52 558	59 954
Asset management										
Asset register summary (WDV)	250	203 517	225 490	-	226 961	226 961	250 762	250 762	267 573	293 460
Depreciation & asset impairment	-	-	-	679	4 200	4 200	3 642	3 642	5 971	6 671
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	1 725	1 351	2 506	6 162	4 608	4 608	10 832	10 832	7 175	7 677
Free services										
Cost of Free Basic Services provided	1 004	1 076	-	1 362	1 362	1 362	-	-	-	-
Revenue cost of free services provided	1 379	1 470	-	1 804	1 340	1 340	4 821	4 821	5 665	6 033
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding